



NEWS

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FEDERAL HOUSING FINANCE BOARD CHAIRMAN EMBRACES CALL FOR FULL GSE DISCLOSURE

Federal Housing Finance Board Chairman John T. Korsmo said today that he strongly supports full disclosure requirements for the Federal Home Loan Bank System, the government-sponsored enterprise regulated by the Finance Board.

Korsmo has initiated talks with the Securities and Exchange Commission and the Department of Treasury about expanding financial disclosure reporting for the System, which is made up of the 12 Federal Home Loan Banks and the Office of Finance.

“Through their congressional charter, the Federal Home Loan Banks have received real and presumed advantages that allow them to raise funds at low cost to fulfill the System’s public mission,” Korsmo said. “I firmly believe that the public has a right to know at least as much about the Home Loan Banks as they do about the publicly traded companies in their retirement funds.”

Korsmo commented on the issue following Treasury Department Under Secretary for Domestic Finance Peter Fisher’s appearance before the House Subcommittee on Capital Markets, Insurance and Government Sponsored Enterprises. In his testimony, Mr. Fisher affirmed the Administration’s view that all GSEs should comply with corporate disclosure requirements of the Securities and Exchange Act of 1934, noting, “The Administration believes that this can be accomplished, without the necessity of legislation, under the terms of the ’34 Act.”

The Federal Housing Finance Board regulates the Federal Home Loan Bank System, a congressionally chartered GSE composed of 12 regional wholesale banks that lend money at discounted rates to their approximately 8,000 member financial institutions: commercial banks, savings-and-loans, credit unions, and insurance companies. Currently, the System has approximately \$650 billion in outstanding debt, issued through its Office of Finance.

As part of a cooperative system, the Federal Home Loan Banks are not publicly traded corporations; all the stock is held by the member financial institutions. The Office of Finance prepares combined financial reports for the 12 Banks, which under current Finance Board regulations must be consistent with SEC regulations S-K and S-X.

“While the Federal Home Loan Bank System already meets many SEC requirements, I want to explore

ways to maximize disclosure consistent with the cooperative structure of the System,” Korsmo said. “Each Bank is privately owned, but the value of each franchise is its status and privilege as a publicly endowed enterprise, and the public is therefore entitled to the full range of information about the System and its operations.”